Finances of Canada.

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BUDGET SPEECH

OF THE

HOUSE OF ONS OF CANADA,

FEBRUARY, 1878

BY THE

HON. J. CARTWRIGHT,

Minister of Finance.

OTTAWA

1878

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THE FINANCES OF CANADA.

BUDGET SPEECH

DELIVERED IN

THE HOUSE OF COMMONS OF CANADA

On Friday, February 22nd, 1878,

BY THE

HON. RICHARD J. CARTWRIGHT,

Minister of Finance.

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Mr. CARTWRIGHT :—Mr. Speaker :

It is now almost five years since I took occasion, from my place as a private member of this House, to point out to the then House of Commons in the most emphatic language I could command, the inevitable consequences which must necessarily ensue from the adoption of certain proposals at that time submitted for the consideration of Parliament. It is nearly four years, since, as Minister of Finance, it became my unpleasant duty to point out to the House the grave financial difficulties which beset our position, and the necessity of submitting to considerably increased taxation, if we desired to provide for the liabilities we had incurred. Unhappily, grave as were the forebodings I then expressed, the depression which actually took place has decidedly surpassed the extent of that upon which I had calculated. It is not often in the commercial history of any country that we are called upon to chronicle so great a reduction, not merely in the total volume of our trade, but also in the revenue derived therefrom, as we have seen within the last two or three years. Making allowance for the admission of Prince Edward Island into the Union, the total volume of the trade and commerce of

Canada had, in that short interval, been reduced by very nearly $50,000,000, while the revenue derived from Customs alone exhibits a decrease in that period of something like $3,000,000,—the actual figures, in round numbers, showing that the volume of our trade and commerce collectively has been reduced from $218,000,000 to $168,000,000, while the duties derived from Customs alone have fallen off from $15,351,000 to $12,546,000. Neither would this reduction, enormous as it doubtless is, fairly represent the whole measure either of the inflation which occurred at that time, or of the subsequent re-action. In a country like ours, which is steadily growing in population, and in which a large area of fertile soil is constantly being brought under cultivation, we may fairly calculate in any ordinary year that a considerable increase would always be made to the general volume of trade by the natural force of circumstances provided there has been no unreasonable inflation, and therefore, if the House wish to measure the full extent of the inflation, or the subsequent severity of the re-action, they must add to the $50,000,000, which have been definitely ascertained to have been lost, a very considerable per centage, probably varying from $30,000,000 to $40,000,000, for the natural growth which may be said to have been absorbed or anticipated, though this last computation is mainly valuable, as affording an index of the extreme character of the inflation, and of the extreme violence of the subsequent re-action. To put the matter before the House in another shape,—while during that interval the total volume of our imports has been absolutely reduced by fully one-third, it is probable that our population has increased at least one-ninth, and consequently, whereas a few years ago, with a total population of 3,600,000 souls, we imported something like $127,000,000 worth of goods, we found ourselves, last year, with a population of 4,000,000 importing a little over $94,000,000 worth. In other words, the total imports have fallen from an average of $35.25 per head, to something like $23.50 per head. Had the imports continued stationary, as it was supposed in 1873, they would, the revenue under our present tariff would, in all probability, have considerably exceeded $27,000,000, and, had the reduction which actually took place not exceeded the estimated amount, it would still have remained at about $24,000,000, while, as the House knows, the actual fact is, that the revenue has sunk to a sum very little exceeding $22,000,000. Now, I think it will be admitted that two facts may be looked upon as clearly established from these circumstances; in the first place, the extreme character of the inflation which existed in 1873; and

in the next place, the fact that if, as I have no doubt is unfortunately the case, the demand for home manufactures produced in this country, has considerably decreased, it is not at all probable that it has decreased in more than equal ratio to the diminished consumption of foreign manufactures. It is not my purpose at present to dwell on the great length of time that this depression has prevailed, nor to waste any unnecessary words in descanting on the unavoidable misfortunes which have exasperated the natural re-action that has ensued. What I desire especially to point out, at the present moment, is that the strain on our resources has, of necessity, been exceedingly great, and that, indeed, it could not have been otherwise, because these misfortunes—these commercial disasters—have not only visited us, but have also visited very heavily those nations who have always been our best customers, and with whom both then and now, the great bulk of our commercial transactions take place. It is, however, very satisfactory to find that at last the tide seems to have been turned in some degree, and to be able to inform the House that the receipts from revenue during the last seven months show a very decided improvement, as compared with the same period of the preceding year. Up to the 10th day of February instant, I find that our receipts from all quarters amounted to $13,434,235, as against receipts to the corresponding period of last year of $12,494,279; that is to say, Mr. Speaker, that the augmentation, in these seven months, reached to the sum of nearly $1,000,000. Now, although it is true, that a certain proportion of this increase may perhaps be attributed to the necessity of replacing the mass of goods that were unhappily destroyed in the great fire that desolated the City of St. John, I am glad to be able to tell the House that the increase from that source is not by any means the largest part of the increase I have mentioned; but that every Province, without exception, I believe, shows a large and cheering increase, and as the question has been raised, how far the general increase is due to this merely accidental cause, I think it is not unreasonable to point out to the House, that the very remarkable character of the present winter has most assuredly diminished to a considerable extent, the consumption of many classes of goods from which we would, ordinarily, have received a good deal of revenue, and that in all probability the $200,000 or thereabouts, which may have been derived from the misfortune that I have alluded to, are balanced, and, I dare say, more than balanced, by the diminution of consumption arising from that cause.

Proceeding now, Mr. Speaker, to the consideration of the general statement for the year which expired on the first of July, 1877, it will be

my duty, before making any general observations, to invite the attention of the House to certain special items, particularly in the list known as "Ordinary Expenditure." The House will observe that for that year our total expenditure for Civil Government reached the sum of $812,000 ; being, I may remark, about $71,000 less than the sum which was expended for that purpose in the year 1873-4, and representing simply the regular statutory increases, which, under the ordinary operation of law, would have been made to the expenditure of 1872-3. On the item for Superannuation the House will see that the charge is $104,000 as against $101,000. Now, Sir, I may state, as some questions seem to have arisen as to the mode in which that act was administered, that the total superannuations granted during that year were $12,005, against which are to be set off reductions by death to the extent of $11,711. The increased receipts on account of that fund, as the House will see by a comparison with the previous year were $2,414, and the net addition to our annual expenditure $294, without taking into account the fact that several of those superannuations were caused by the abolition of offices by which a considerable saving was effected to the country. (Hear, hear.) Under the head of Immigration, the House will observe that a considerable amount has been paid out in the shape of loans to the Mennonites and Icelandic settlers, which I have every reason to believe will be returned to us at a comparatively early day. This expenditure amounted in all to $79,000, and the sum expended in suppressing a violent outbreak of small-pox in the Icelandic settlement, $21,000. Under the head of Railway Expenditure, the sum of $90,000 has been expended (more than was estimated for) ; but on the other hand, I am happy to be able to state that the receipts show an equal augmentation, being very nearly $90,000 more than was expected. Of course the House will know that estimates cannot always be exact in regard to such matters ; if the traffic increases, the expenditure must necessarily be expected to increase also.

The House will further observe that, under the head of Sinking Fund, a certain cross entry has been struck out on both sides of the account. It has been held to be desirable, in the public interest, to devote the whole Sinking Fund to the purchase of the securities known as the 4 per cents, and the rough and ready system of bookkeeping which has heretofore prevailed, and under which the nominal value, and not the sum actually paid, was usually entered, has been discontinued. A small excess on our gross estimates has been caused by reason of

the negotiation of the loan of 1876, some considerable time before the period at which I had originally designed to negotiate it. I am happy to be in a position to state to the House that the wisdom of the course adopted by the Government on that occasion has been amply justified by the results. I have obtained a statement of all the loans negotiated in the calendar year 1877 on the London market, which, with your permission, I will briefly read to the House. In the month of April, the corporation of Birmingham attempted to negotiate a loan of £1,500,000 bearing 3½ per cent. interest, which loan, I am advised proved a total failure. In the same month the Metropolitan Board of Works put a loan of £1,250,000 at 3½ per cent. on the market, and of this only one half was subscribed. The Government of Natal, in the month of June, endeavored to negotiate a loan of a similar amount, which, I understand, was very tardily subscribed for.

An hon. member—What date was that ?

Mr. CARTWRIGHT—In June.

The hon. member—What was the rate ?

Mr. CARTWRIGHT—4½ per cent. The Government of Portugal issued a loan of £6,500,000 at 3 per cent., which was offered on the market at £50—that is to say a rate of interest of 6 per cent., and this also was tardily subscribed. I find also that in the month of April, which would have been the period—other things being equal—I should have desired to place our own loan on the market, the price of our securities, deducting accrued interest, as shown by the Stock Exchange list, was £90. 16s, 8d. This price ruled, (or rather it was a few shillings less), from May, with slight fluctuations down to December, at which time it was £91 3s. 4d.—for retail transactions it is to be understood. Now, Sir, I think this will satisfy all reasonable men that, not only was the price obtained for those securities the highest which reasonably could have been expected, but that the parties who purchased them could by no possibility have gained any undue or unfair profit out of the transaction, if indeed, (which in many cases I much doubt,) they succeeded in securing themselves from loss at all. But, what is of most moment, and the point I chiefly desire to press upon the attention of this House, is that it is also perfectly clear that the Government of the Dominion would have incurred extreme danger if they had neglected to avail themselves of the opportunity which presented itself in November, 1876, to negotiate that loan. It is very

rarely, indeed, that such difficulty has been experienced in placing loans of any kind on the London market as occurred during the year 1877, and those who are acquainted with the very high position which is held by several of the corporations whose securities I have quoted, and more particularly with the position held by consols of the Metropolitan Board of Works, will know that it is morally impossible that the Government of Canada could, under such circumstances, have successfully floated a loan, had it been delayed till that period.

Turning to the General Statement, if the House will deduct the interest on permanent investments, which did not exist in the year 1873-74, they will perceive that the total gross expenditure for the year which has just closed, exceeded the gross expenditure for the year 1873-4, by barely a few thousand dollars; while if they turn to that portion of the statement which is headed "Ordinary Expenditure," they will find that, whereas in 1875-6 our expenditure for ordinary purposes amounted to $8,569,774, our expenditure in the last year amounted to $6,835,078,—in other words, that the ordinary expenditure was reduced in that year by the sum of $1,734,696. If they prosecute this comparison to 1873-4, they will find that in that year the ordinary expenditure amounted to $8,324,076, and that our ordinary expenditure, as compared with1873-4, was less by $1,488,998. Should they prefer to take the year 1872-3, they will find that the ordinary expenditure in that year amounted to $7,062,095; showing that our expenditure for 1876-7 was less than the ordinary expenditure for 1872-3 by $227,017;—and that, it is well to remember, in spite of the fact that we have had to provide very large amounts for treaties with the Indian tribes,—for the maintenance of the North-West police,—and of law and order in that extensive territory, for the expenditures necessarily involved in the admission of Prince Edward Island,—in the creation of the Supreme Court, and also, to some extent, by the increased population of the Dominion. Sir, I think that the House will agree with me that that side of the statement, at least, may fairly be looked upon as reasonably satisfactory; and although it is unhappily true, that in spite of these reductions the very serious shrinkage which took place in our Customs and Excise revenue, amounting, altogether, to very nearly $1,000,000,—although, I say, it is unhappily true, that that has caused a considerable deficit, amounting to no less than $1,460,000, still—

Several hon. members—Hear, hear.

Mr. CARTWRIGHT—Do hon. gentlemen consider it a subject of merriment, a subject of rejoicing, that a deficit of $1,500,000 has been incurred ?

Mr. MITCHELL—Of regret.

Mr. CARTWRIGHT—My ear may be in fault, but I detected no tones of regret in the expressions emanating from the opposite side.

An hon. member—" Too thin !"

Mr. CARTWRIGHT—I am willing to believe that my hon. friend from Northumberland (Mr. Mitchell) expressed correctly the feeling of the House on that side, and that the cheers they have just uttered are an indication that they do deeply and sincerely regret that this deficit has not been extinguished ; a thing in which I most heartily concur with him. Sir, I need not say that although it is probable that one cause of the deficiency has been the continual shrinkage in the introduction of imported goods still, the main cause is necessarily due to the very bad harvest of 1876. Those who have studied the position of this country are well aware that, however important other interests may be, now and for a long time to come, the agricultural interest will necessarily continue to be the predominating interest in Canada ; and therefore, that anything which strikes at the prosperity of the agricultural population, strikes necessarily at all those classes, those very numerous classes, which are dependent upon them,—strikes, I may say, at the foundation of our national prosperity ; and therefore that it is no cause of wonder that an exceptionally bad harvest should produce such a reduction, or even a larger reduction in the revenue than that which has actually occurred.

Proceeding now, Sir, as perhaps the most convenient place, to lay before the House the Estimates which I have prepared of the probable receipts for 1878-79, I may take this opportunity of saying, that these Estimates, as all estimates prepared so many months in advance of the time of expenditure necessarily must be, are, as a matter of course, based on the supposition that we shall enjoy, I do not say an unusual, but at any rate a moderately good harvest. Should we be favoured with such an one, I think, under the present tariff, we may reasonably expect, judging from our returns, to receive from Customs a revenue of about $13,750,000; from Excise, $5,250,000 ; from Stamps, about $250,000 ; while from the Post Office, which, I am glad to say, shows

decided signs of improvement, I believe I may safely reckon on $1,200,000, and on $1,900,000 in all from Public Works, together with receipts—from various miscellaneous sources, and from interest on our investments, (which, as hon. gentlemen know, is continually increasing under the operation of the Sinking Fund), of about $1,500,000 ; making in all $23,850,000. I may remark, as respects the expenditure side, that the House will note that the calamity which overtook St. John, has necessarily inflicted upon us the necessity of incurring a considerable expenditure for the purpose of repairing the public buildings in that city. At least $200,000 will be required for that purpose, which necessarily increases the Estimates that I would otherwise have had to submit to the House.

Having completed this much of my task, it appears to me that it would be advisable, before I proceed to discuss the general policy of the Government, and in order that the House may be fully possessed of the necessary facts, to review somewhat briefly the position in which we stand now, as contrasted with the position in which we stood some five years ago ; and mainly with respect to these points :—first, as to our past and present liabilities; next, as to the causes of the great increase which has occurred in the expenditure during that period; and lastly, as to the exact amount and incidence of our present system of taxation, absolutely and comparatively. With respect to the first point, I have had some considerable difficulty in ascertaining the exact extent of our liabilities on the first of July 1873, partly for this reason, that those liabilities at that period consisted of two totally distinct classes ; one being undetermined, and the other being reasonably fixed and definite. On the first of July, 1873, we had not by any means definitely ascertained what would be the expense of working the railroad system, which we had become, or were shortly about to be possessed of. We could not tell exactly what would be the cost of maintaining order in our North-west Territories, nor the ultimate expense of our Indian treaties. Since that time, we have ascertained those amounts with something like moderate precision. For the purpose of working our railroads, a sum of about $750,000 will be required. For the purpose of maintaining order in the North-west Territory, $400,000 per annum has been found to be necessary ; while the expenditure on our Indian Treaties, as the House is aware, will require about $400,000 more.

Mr. MITCHELL—Is that over and above the receipts?

Mr. CARTWRIGHT—From Indian Treaties the receipts are *nil.*

Mr. MITCHELL—For railways.

Mr. CARTWRIGHT—The probable loss on the working of railways is, as nearly as can be ascertained, $600,000 a year. I am now, however, speaking of the additions to the gross expenditure. But to resume, apart from these sources of expenditure, we had other liabilities definitely fixed which, on 1st July, 1873, amounted very nearly to $131,000,000, computed as follows : for the construction of our canal system, on the scale at that time contemplated, I find upon reference to the Public Works Department, that had those designs been carried out in their entirety, a sum of no less than $43,800,000 would have been required, including, of course, the whole system of the Welland, Lachine and St. Lawrence Canals, the deepening of the St. Lawrence, and the various canals projected in Nova Scotia, on the Ottawa River, and in New Brunswick ; for the completion of the Intercolonial Railway, $10,000,000 ; for the Pacific Railway, a sum of $30,000,000 as estimated by the then Minister of Finance ; for debts maturing the sum of $35,000,000 ; for necessary expenditures on the Nova Scotia and New Brunswick portion of the Intercolonial Railway the sum of $2,000,000 ; for the Prince Edward Island Railway and land grants, the sum of $2,500,000 ; for a great variety of minor works about $4,500,000 ; for improvements on the St. Lawrence below Montreal, $2,500,000 ; and for certain advances then contemplated $1,000,000,—making in all a sum total of what I may call liabilities capable of being ascertained, amounting to $131,300,000, all of which had, of necessity, to be raised by loan, although it was not all necessarily an addition to our net debt. To recapitulate, viz :—

Canals	$43,800,000 00
Intercolonial Railway	10,000,000 00
Pacific Railway	30,000,000 00
Debts maturing	35,000,000 00
N. S. & N. B. Railways	2,000,000 00
P. E. Island Railway	2,500,000 00
Minor Works	4,500,000 00
Improvements, St. Lawrence	2,500,000 00
Advances	1,000,000 00
	$131,300,000 00

Now the House will best understand the magnitude of the task then mposed, from the fact that this sum is as nearly as possible equal to the total net indebtedness of the entire Dominion, upon the 1st of July, 1877, and at least $23,000,000 more than the total net indebtedness on the 1st November, 1873 ; that it would require, (at the rate of discount at which our ordinary loans of late have been made,) seven successive loans of $20,000,000 each, and lastly, (on the estimates submitted by the then Finance Minister) an addition to the interest paid by this country of $3,367,400 per annum. As regards our present liabilities upon the 1st July 1878 my estimate is, that, taking into account only those works which it is really necessary to prosecute,—we will have to provide for the completion of the Welland and Lachine Canals $5,500,000 ; to redeem debts maturing within the next few years $13,500,000 ; for the purpose of completing necessary portions of the Pacific Railway a sum of about $6,000,000; for a variety of miscellaneous purposes a sum of $5,000,000 I think would suffice, making in all $30,000,000, for which I consider it necessary to make provision by fresh loans before 1881. And although there still remains a very considerable amount of debt which I should like to reduce, it is to be noted that payment is optional, at the convenience of the borrowers.

Coming now to the second point to which I desire to call the attention of the House, that is to say to the causes of the great excess of expenditure which occurred during this period, I find that the causes of the large excess which marks the year 1873-4 are chiefly due to the following additions to our annual expenditure. In the first place to the assumption of the Provincial debts, and the additional subsidy to New Brunswick, amounting to $820,000. In the next place to the additional charges incurred by the admission of Prince Edward Island, $500,000 ; to the first half year's interest of Mr. Tilley's loan, $225,000 ; the alteration in the mode of keeping the Post Office accounts which involved a nominal addition of $300,000 ; to that variety of increases in the salaries paid to the officials of the Government, amounting to a little over $300,000 ; to an increase of expenditure on Public Works chargeable to income $500,000 ; for the Mounted Police, $200,000 ; the expenses of the extra session of that year, involving a sum of $200,000; for treaties, about $100,000, and for a considerable number of miscellaneous items, aggregating $850,000 to $900,000 and amounting in all to about $4,000,000, which sufficiently account for the increases between 1872-3 and 1873-4, and which summarized are as follows.

Provincial Debts and Subsidy, N. B.	$820,000 00
Admissson of Prince Edward Island	500,000 00
Half Year's Interest (Tilley Loan)	225,000 00
Post Office Expenditure	300,000 00
Official Increases	300,000 00
Public Works	500,000 00
Mounted Police	200,000 00
Extra Session	200,000 00
Treaties	100,000 00
Miscellaneous Items	850,000 00
	$3,995,000 00

As however, at that time there was no doubt considerable difficulty in ascertaining exactly the result of the expenditure which has been incurred under the legislation I have referred to, it will probably interest the House to see how the expenditure for the current year would compare with the expenditure of the year 1872-3. I find, Sir, that the chief causes of excess in the expenditure of these two years may be described as follows : the Provincial debt and subsidy as before ; Prince Edward Island, with the addition of the railroad and steam ferry, $820,000; the total interest of loan contracted in 1873, $450,000 ; the Post Office increases as before ; the increases of salary in estimates ; for the additional working expenses of the Intercolonial $500,000, which was not necessary or incurred in 1872-73. The total interest on capital expended on Public Works up to the end of 1877-78, represents an additional charge of $1,200,000; our Mounted Police, $330,000 ; and our Indian treaties an additional charge of probably $330,000 more ; making a sum total of $5,100,000 of increase as between these years due to the respective items to which I have alluded and which detailed are.

Provincial Debts and Subsidies	$ 820,000 00
Prince Edward Island	820,000 00
Interest (Tilley Loan)	445,000 00
Post Office Increases	300,000 00
Official Increases	300,000 00
Intercolonial Railway	500,000 00
Public Works Capital (Interest on)	1,200,000 00
Mounted Police	330,000 00
Indian Treaties	330,000 00
	$5,045,000 00

Without pausing to discuss this point further at present, I proceed to consider the amount of the absolute taxation now levied on the people of this country, and also the incidence of that taxation. Taking in the first place the ordinary standard *per capita*, the House will observe that from our present population of 4,000,000 of people, we expect to receive in the current year a gross Revenue of $23,400,000, less about $250,000, interest accrued on investments made since 1872-73. They will also observe that of that amount $19,150,000 are expected to be derived from what may be called actual taxation, as compared with about $17,616,000 in 1872-73. It will be observed therefore, that on our gross Revenue for the year 1877-78, if it does not exceed the estimated amount, our receipts *per capita*, would amount, as nearly as possible, to $5.79 per head, as against $5.86½ in 1872-73, allowing for Post Office increase; while the sum actually paid in taxes will amount, if we receive all we expect to get, to $4.79 per head, as against $4.90 actually paid into the Treasury in 1872-73. Now, I am perfectly well aware that the *per capita* standard is only a very partial test of the actual incidence of taxation. It may doubtless happen—it often does happen—that taxation may be so levied on a country as to take a very great deal more out of the pockets of the people, than ever finds its way into the public treasury, and therefore that test can only be looked upon as valuable, all other conditions being the same. We have only to look to the case of the United States to see how grievously a people may be burdened without any considerable portion of the amount of the taxes levied from the people coming into the national treasury, (Hear, hear), and I will venture to say, that if we were induced to re-adjust our tariff in the direction of the policy pursued by the United States, we would soon experience in our own persons how very large an amount of taxes the people of Canada might be called on to pay, without more than a fraction of the sum finding its way into our Treasury. (Hear, hear.) But I desire while on this subject to remove from the minds of hon. members a misapprehension which, I believe, exists as to the relative extent of taxation in the periods prior to and after 1873-4. It is quite true that, comparing the present time with the year 1872-3, there has been a considerable addition to the taxation of the people, although I will here pause to observe that undoubtedly the taxes that had been taken off, or their equivalents, ought to have been replaced as a matter of sound ordinary economy in 1872-3. But I beg to state, that if we compare the actual taxation which was levied on the people of Canada in any year from Confederation to 1872, it will be found that the so-called increase has been slight, if indeed it can be said to exist at all.

Now, without stopping to take into consideration the effect of certain temporary taxes such as the five per cent. addition which was made in 1870, or the so-called national policy of the succeeding year, if we take the actual amount of taxation collected from the people of Canada in 1870-1 or 1871-2, and compare that with the rates now levied, though there is no doubt an addition of two and one-half per cent. on the general list of articles imported into this country, and a considerable addition to the duties levied on whiskeys, brandies, tobaccos, and other such articles; yet in comparing those two years, so great has been the reduction in the duties on tea and coal oil—both articles of general consumption —that I am inclined to think that the money actually taken out of the pockets of the people of Canada in the former year was quite as great as that now taken out under our apparently increased taxation. In the first place, the actual duties on tea which were levied in the year I have referred to, and from the period of Confederation upward, would have alone yielded a revenue of quite $1,500,000. Now there seems to be reasonable ground, for believing that the people of Canada profited from $1,500,000 to $2,000,000 by the abolition of the excise duty, and the reduction of the duty on coal oil. Upon that, however, I do not insist; though it is obvious that if you put the two sums together they represent the total amount of the additional taxation, (even if the imports had continued at their original figure) which would have been obtained by the taxes I imposed. Neither do I wish to do more than merely glance at the fact that, in all probability, owing to the reduction in the value of articles imported into this country, even the sum we receive from the two and one half per cent. barely equals the amount which would have been collected, had the fifteen per cent. been converted into a specific duty in 1874. But taking the lowest amount—taking only the $800,000 which we know positively to have been saved to the consumers of coal oil by the abolition of the excise and reduction of customs duty, and adding that to the $1,500,000 which under the old tariff would have been collected on tea, it will be seen that the actual sum the people of Canada were paying on these two articles, was $2,300,000, (although the whole of the latter sum did not come into our Treasury,) whereas admitting that we collected $3,300,000 from the duties imposed, it is clear that the additional taxation we are now obtaining from the people of this country, would be at the outside barely $1,000,000 more than was levied in the whole period from Confederation to 1873-4, with the exception of the last year of that period. And it is worthy of the attention of the House, that whereas the new duties have undoubtedly

chiefly affected articles of luxury, yet as regards these two prime articles of necessity, the taxes have been very largely reduced indeed.

If the House desires to compare our position with that of other countries, I think it will find that, although I cannot pretend to say that our present taxation is light *per se*, yet at any rate it is light as compared with that borne by other countries somewhat similarly circumstanced. Take first the case of the people of the United States, and in doing this I may observe that it will be quite impossible to institute any really valuable comparison, unless in doing so we take into account, not merely the results of their tariff, but also the very great amount of municipal taxation levied in that country. It is well known to those who pay any attention to American affairs, that the amount of municipal taxation in the United States has become so great as to constitute a very serious drain on the resources of that country. How great it is will be best understood from the following simple facts :—A year or two ago the four great States of New York, Ohio, Massachusetts, and Pennsylvania—having a total population of 12,000,000, contributed for purposes of local taxation the sum of $151,000,000 a year ; while out of 131 cities whose returns have been published, we find that, on a total population of 8,500,000 the taxes levied amount to no less than $112,000,000, and in the case of the City of New York, with a total population of 1,249,000, and a valuation of $1,111,000,000, no less a sum than $31,000,000 per annum was levied for municipal purposes, being, a sum quite equal, I believe, to the total taxation for municipal and federal purposes levied from the whole people of Canada. I have called attention to this point because I know there is serious danger lest we ourselves should suffer from this particular evil. No one can have looked carefully at the vast increase which has taken place, and is taking place, in the amount of our municipal taxation, particularly in towns and cities, without being aware that there is very considerable risk that the almost unlimited powers of direct taxation which have been granted to those bodies, will be grievously abused. Sir, I trust it will be no offence to the representatives of the various cities of the Dominion, if I say that city populations are especially unfitted to be entrusted with such very large powers. The country population, so far as I know, do generally manage their affairs with great economy and discretion ; but I am sorry to say that neither the experience of the people of the United States, nor our own experience in this country, would warrant us in bestowing any such powers on our civic municipalities at least. If I may be permitted, on a point which,

though not under our immediate control, is very closely connected with the question under discussion, to express my own individual opinion, I would say there is urgent need that the power granted to those municipal bodies should be rigidly restricted, and I believe it will be found far truer in principle, and far more conducive to their real interests, if they were confined to taxing certain subjects strictly selected, instead of, as at present, permitting them to tax all kinds of property less certain exceptions. I urge that restriction not only in the interest of the property holders, who are generally well enough able to take care of themselves, but more particularly in the interest of the poorer classes of the population. Always and everywhere when municipal extravagance has occurred, I think it will be found that the poorer classes are those on whom, in the long run, the chief part of the burden invariably presses, and that they have to pay for the follies of their municipal governors in almost every conceivable way, but notably in bad air, bad light, bad water, bad lodging and in increased dearness, not only of food, but of every necessary they require. No one can read the history as revealed by the reports of the State Commissioners and the State Courts, of the great mismanagement which existed for many years in the city of New York under the Tammany Ring, and the report of the Board of Sanitary Commissioners for the City of New York, without perceiving that the consequences of that civic mismanagement have been directly visited on large portions of their population. I was not aware myself, until I had the opportunity of perusing that report, that in the City of New York at this moment the number of people to the square mile, is said to be very nearly double of that which exists in the most crowded localities of East London,—the population in New York being stated to be as nearly as possible 290,000 to the square mile in certain localities, as against 179,000 which was the greatest density attained in the City of London. I need not point out to those gentlemen who have visited personally these regions of large cities, what an amount of misery is contained in that simple statement. I would only say that although there are no doubt particular circumstances in the case of New York, which have brought about that unfortunate result, yet I believe two chief causes will be found in the fiscal policy, or rather in the fiscal impolicy of the United States, and in the grievous mismanagement which has so long disgraced the civic government of that city. Although it is true that this matter is not directly within our province as a legislature, yet no consideration of the question of the incidence of taxation in Canada, or the United States can be held to be complete without ascertaining

the amount of municipal taxation laid on the people ; and moreover, I believe that it has become time for us in our individual capacities, at all events, to exert ourselves to see that the requisite remedies be applied here, if we would avoid the mischiefs which have undoubtedly seriously affected the resources of the United States.

Sir, I will not attempt to make any precise estimate as to the effect of the United States tariff. That is a point upon which, I can well understand, many different opinions will be expressed, but certainly, I may say that although their tariff is, at least, three-fold ours the revenue did not show any greater receipts per head from Customs duties under its operation, and that I believe that Mr. David Wells, no mean authority on the subject, is within the mark in asserting, as he has done, that the people of the United States are annually paying $400,000,000 or $500,000,000 in taxes under the operation of that tariff, of which scarcely one third finds its way into the public coffers. I have had difficulty in ascertaining, with sufficient accuracy, at what amount our own local taxation might fairly be put down ; but I have succeeded in ascertaining the taxation paid in the Province of Ontario, which appears to amount to $5,500,000, and I think, that even allowing for the taxes imposed by local Assemblies in other Provinces, I shall not be far astray if I put down the local taxation of the rest of the Dominion at a sum not exceeding that amount. In doing this, it will be observed that no account is taken of the receipts from Crown Lands, or for the sums paid by the Dominion Government in the way of subsidy. But if that computation can be allowed, and I think, without wearying the House with details, it will be found sufficiently accurate for practical purposes, you will have this result, that the taxation for all purposes borne by the people of the Dominion of Canada, is probably barely one-third of the taxation inflicted on the people of the United States under the operation of their municipal system, and of their tariff, and in any case is barely one half of the sum which we know to be paid by them in hard cash ; while as compared with the British Islands with their present estimated population of about thirty-three millions, paying in what are known as the Queen's taxes, about £66,000,000 sterling, our taxation may be fairly computed as barely one-half. And although it is doubtless true that the wealth of the people of Great Britain is vastly greater than ours, and although their powers of raising money by way of loan far exceed ours, still it ought to be borne in mind that the distribution of property in Canada is very much better than it is in that country, and therefore that the power of our population to bear a fair amount of taxation without serious inconvenience,

is probably quite as great as that of the people of Great Britain. I think, too, that even in these hard times I am correct in stating that with the exception perhaps of some portions of our large cities, there is no district of Canada at the present time in which there is serious risk of any considerable portion of the people being stinted in the absolute necessaries of life, and, therefore, I am justified in saying that although our taxation is rather heavier *per se* than might be desired, yet that on comparing it with that imposed in other countries somewhat similarly circumstanced, it may fairly be described as endurable, and even by comparison, as light.

Now, under these circumstances, it may not unnaturally be asked by some members of this House, whether it would not be advisable, in view of the fact that we have now had for two years considerable deficits, to adopt such precautions as would render the existence of another deficit practicably impossible. Well, sir, I would say at once, that if we possessed in Canada any tax equivalent to the income tax now in use in England, probably, I would not hesitate to advise the House to have recourse to that means of increasing the Revenue—that being a tax which can be raised or lowered with a *minimum* of disturbance to the commercial interests of the country. But, as the matter stands, I feel it is important to call the attention of the House and the country to the fact that, although we have unfortunately had two successive deficits in the last two years, still it is equally true that a very large proportion of those deficits has been composed of the sums annually devoted to the Sinking Fund, which, I think the House will agree, makes an important difference in considering the situation. In these two years our total deficits have amounted to $3,361,000 but of that sum no less than $1,650,000 has been invested in the reduction of our debt, and the consequence is that the net increase of our indebtedness in those two years is, not $3,361,000, but barely $1,700,000 all told. Apart from this, I think, that the combination of adverse circumstances which sunk our Revenue to the extremely low figure of $22,000,000, is one which is not likely to recur, and, further, that there are reasons for expecting a moderate and steady increase. Under any circumstances in this country, while the population continues to grow as we know that it is growing, while we continue from year to year to add a very considerable amount of virgin territory to the area of arable land, I think there is ground for expecting, from that source alone, a considerable augmentation of our revenue. Now, so far as it is possible to ascertain the facts in a matter of this kind, I am inclined to believe

that, one year with another, from 500,000 to 1,000,000 acres of new land are almost always annually brought into cultivation in this country—undoubtedly an amount which, in a period of six or seven years will secure a considerable permanent augmentation of the products of the Dominion. Moreover, it is not to be lost sight of, that the great advantages of our position, and, in some respects, of our climate are beginning to assert themselves; while, as every body knows, the enormous improvements which have, of late years, been made in the transportation of freights, have reduced the cost of transporting our products from one side of the Atlantic to the other to so low a figure that there appears good ground for expecting a very large and steady advance in our trade in that direction. I believe that I am strictly accurate in saying that, at this present time, almost every one of the more valuable products of the farm can be transported from the furthest point of Ontario east of Lake Superior, to the City of London, at a cost varying from one farthing to one half-penny sterling per lb. And although it may be true, that at present a very considerable proportion of the profits is intercepted by the various middlemen engaged in the transportation, still, if that rate of freight can be maintained,—and I see no reason why it should not,—it must be obvious to every hon. gentleman that an almost unlimited field is open to the enterprise of our agricultural population, of which there are many cheering signs that they are heartily disposed to avail themselves.

It is true, on the other hand, that it is impossible for us, a small people of about four millions of souls, placed in direct contiguity to the United States along a most extended frontier, not to be seriously affected by the fiscal policy they have chosen to pursue. I have never maintained that the Dominion of Canada was not mischievously affected by the policy of the Americans, but at the same time I say not only that I do not see in their folly any reason for imitating them, but that they themselves are beginning to admit that they have made a very grave and serious error, and that there is a very strong disposition to retrieve the mistakes they have committed; and further, that they have become convinced, as far as Canada is concerned, that their policy has resulted only in driving us to seek other markets, and in depriving themselves of the middlemen's profits they would otherwise have enjoyed. No doubt we have sustained a very grave direct loss from the fact that the United States were formerly one of our very best customers, and that it is impossible for 44,000,000 of our best customers to be suffering from prolonged depression without seriouly embarrassing a large

number of our own people. It is well known that, wholly apart from the direct loss, we have also sustained serious indirect losses—as, for example, the loss of the profits many of our banks were in the habit of deriving from American trade, and what is perhaps as serious an item, the loss of the large purchases at one time made in Canada by American travellers.

There is, in addition to these considerations, another of considerable moment which I desire to present to the House. There can be no doubt, that the very serious disproportion which exists between the fixed charges on our revenue and the sum which remains more or less under our control, has become a matter requiring very grave consideration indeed. Out of a total nominal expenditure, in round numbers, of $23,500,000 no less than $11,500,000 are devoted to payment of Interest, Sinking Fund, and Subsidies to the Provinces, and must be considered as absolutely a first mortgage. Of the remainder, about $5,500,000 of the Charges on Revenue must either be regarded as cross-entries, which cannot be removed from one side without blotting them out on the other, or as being to all intents and purposes practically a mortgage also. It will be obvious that the balance of about $7,000,000 which remains at our disposal, is not only a very small field in which to exercise any great economy, but barely sufficient for the purposes we expect to discharge therewith. At present, now that the various services have been cut down to the lowest point consistent with efficiency, I see no reasonable ground for expecting that we shall be able to reduce the expenditure on Justice and Penitentiaries below $1,000,000 per annum, or that of Militia and Maintenance of the North-West Police below a like amount, or that much less than $1,000,000 can be voted for Public Works, while at least an equal sum is required for Fisheries, Lighthouse, and Coast service and other similar matters. For the service of our Indians a sum of nearly $500,000 is wanted, nor can the Immigration service, if maintained at all, be conducted for much less than $250,000 annually, including Quarantine. For Miscellaneous Expenditures about $250,000 is required, making a total of about $5,000,000, out of about $6,750,000, which cannot be reduced, and leaving for Legislation, Civil Government, Pensions, and Superannuation, a sum of $1,750,000, in which last items possibly some reduction might be affected. I do not say that further economy is absolutely impossible, nor that further taxation might not be borne, but I do say that to push economy further, unless indeed we submit to very important

alterations in our present constitutional system, would be both difficult and of doubtful expediency; while increased taxation, if carried to any considerable extent, might defeat its own object, not only by stopping the growth of this country, but also by the well-known fact that, if you raise the taxes above a certain point, you are always sure to defeat yourselves either by diminishing consumption or by encouraging smuggling, as we have more than once discovered to our cost.

All things considered, therefore, I am disposed to advise that we should delay the consideration of the question whether it is desirable to impose any further taxes on the people or not, and I do this for these several reasons—first, because, in spite of all that is asserted to the contrary, it appears to me that there are evident signs of improvement in the general Revenue, and the general condition of this country; in the next place, because I believe that the receipts for the year 1876-7 were decidedly below the ordinary average; because, the deficit being largely composed of the Sinking Fund, is not nearly so formidable as may appear at first sight; because a very considerable portion of the outlay which we are annually incurring, although properly chargeable to the Consolidated Fund, is made for objects which may fairly be regarded as approaching the character of expenditure on capital account; because the amount of the liabilities, which it is absolutely necessary for us to meet, has been vastly reduced; and because (which is perhaps even more to the purpose) the issue which is about to be presented to the country by the two political parties of the day would involve, if decided against us, so great and radical a change in our whole fiscal system and our mode of collecting the revenue, that I desire that the voice of the people should be heard on this question, before committing ourselves to any further alteration in the existing tariff.

Now, without desiring to stir up unnecessary controversy, I think it is as well that the House should understand clearly and distinctly what that issue is, and how violently our policy and that of the hon. gentlemen opposite is contrasted in this matter. I find, sir, that the hon. leader of the Opposition a very few months ago, in descanting upon this question, made use of the following words:—

"Gentlemen, you know that Canada from East to West lies within "the same degrees of latitude, and does not produce a great variety of "crops. From the Atlantic to the Pacific the country is subject to the "same climatic influences, but the United States, extending from the

"lakes to the Gulf of Mexico, possesses a variety of climates. In "Canada, however, if by an unfavorable season the crops are scanty, "we are without such resources, and then the farmers of the United "States pour in their produce upon us, and we are defenceless. *You,* "*(the farmers) who, in an ungenial season, might get some recompense for* "*scanty crops in the enhanced prices they would bring, find that hope gone* "*from you. Even the little harvest the storms have left you, you find value-* "*less when the products of the Western States are poured into the markets of* "*the Dominion. Shall we suffer in this way? Shall we not say, Canada* "*is for the Canadians, and protect our markets for ourselves? Shall we* "*not say, if we have a short crop our own people shall consume it, and pay us* "*a fair price for it; and if we have a large crop, let us not only have our own* "*markets, but the distant markets of Europe, and let us say to the United* "*States,—'We allow you to send the products of your country into our* "*markets, let us have the same privilege, and send ours to your own.'*" That is the policy of the Opposition; that is the policy which my hon. friends are going to fight to the death.* Let us trust that it will not be the death of any unhappy wretches who may be expected to make good the deficiency of the crops. Now, it is desirable to point out that the doctrines avowed in this speech have been endorsed within a very short period, by, at any rate, the Ontario representatives of that party, as I find that at a very recent conference certain resolutions were published as indicating the programme of the Opposition in Ontario on that question, which read as follows :—"1. We are satisfied that the welfare "of Canada requires the adoption of a national policy, which, by a "judicious readjustment of the tariff, will benefit and foster the "agricultural, the mining, and the manufacturing interests of the "Dominion. 2. But no such readjustment will be satisfactory to the "interests affected or to the country if adopted as a provisional mea- "sure only, to meet a temporary exigency or to supply a temporary "deficit, nor unless it is made to be carried out as a national policy, and "not until reciprocal trade is established with our neighbours. 3. Canada "should move in the direction of a reciprocity of tariffs so far as her "various interests may demand. That it is the duty of the people of "Canada to force upon the attention of the Government and Parlia- "ment of the Dominion, the necessity of carrying out their views, and "to withold or withdraw their confidence from any Government who "may fail from want of will or want of ability to enforce them by "legislative enactment."

* Extract from speech of Sir J. A. Macdonald, at Bury.

Now my object at present is neither to comment on this remarkable speech, nor on these remarkable resolutions ; but to draw your attention to the fact that they involve an absolute contradiction of the policy laid down by this Government. The position taken up by the hon. gentlemen of the Opposition is, as I understand it, this—that it is in the power of the Government to increase the collective wealth of the country by increasing the taxation, and that they can enrich the community collectively by taking money out of their pockets. It may be so. On the other side, our position, which is equally clear, equally well defined, and one for which we are at least equally willing to fight to the death, is this, that all taxation, however disguised, is a loss *per se*, that it is the duty, and the sacred duty of the Government, to take only from the people what is necessary to the proper discharge of the public service ; and that taxation in any other mode, is simply in one shape or other, legalized robbery. No doubt, Sir, there is this misfortune in our present position, that we are debarred so long as our revenue continues in its present state from attempting many things which I should be glad to see attempted. There are valuable improvements which the Government are not able at present to consider. There are valuable suggestions made, from time to time, which we would desire, if our circumstances permitted, to carry into effect. We are obliged, no doubt, to abstain from doing these things, but when we are told, after having to contend with the difficulties we have met with, that we are wrong for not attempting to do more, I must venture to enter a protest against such censure. Sir, to condemn us in the present state of our finances, because we are unable to undertake new enterprises, is as unreasonable as if the passengers were to rise in mutiny against the captain and crew because they were unable to make progress towards their port while obliged to lie to in a storm.

Passing from this subject, I may observe that the year which has just closed is remarkable for another reason ; it completes the first decade which has elapsed since Confederation, and it may not be altogether amiss to spend a few moments in reviewing generally, the financial history of that period. Looking back to 1867 and looking at our condition at present, I think, Sir, that all candid persons will admit that two things are pretty clear. One is that the resources of the provinces originally confederated were ample to enable them to carry out all that was then undertaken, and perhaps even to engage in considerable additional enterprises. But another thing appears to me equally clear, that when we undertook risks which

no country in our situation ought to have undertaken, we unfortunately attempted too much and thereby seriously imperilled the existence of our young community, and that the consequence has been an increased expenditure so startling and rapid, that it may well cause the most inconsiderate amongst us to reflect. (Hear, hear.) Taking our starting point in 1867, we find that whereas the total outlay amounted in that year to barely $13,500,000, in the course of ten years it has swollen to $23,500,000 being as nearly as possible an increase in that period of $10,000,000. And what is even more important, after making provision for the increased liabilities thrown upon us, we are unable to see any reasonable prospect of reducing it below that limit. It will not by any means be idle for me to point out to the House the main items which have caused that increase from the date of Confederation. In the first place, I find that the interest on the capital expended in constructing the Intercolonial Railway, and the expenses of working it, appear to represent no less a sum than $2,400,000 of that increase. I find that our total expenditure for the Northwest including Indian Treaties, Mounted Police, and also the interest on the purchase of the territory—amount to about $1,000,000 per annum. The interest on the sum expended for the Pacific Railway, and also the charges on account of British Columbia, amount to $1,000,000 more. The Interest on the other Public Works represents a further sum of $1,000,000, while the assumption of Provincial debts, and the admission of Prince Edward Island represent $1,640,000. These five items, it will be observed, represent the largest portion of the total increase. Now, allowing for all receipts, this represents a dead loss, so to speak of about $5,000,000 per annum, which, if capitalized, would represent an addition to our gross indebtedness of $110,000,000. Of the balance of the increase, no doubt, a certain portion may be fairly set down as a cross entry, which should appear on both sides of our account; and a certain other portion is due to the increase of population since that period above named, while the remainder is made up of a number of miscellaneous items, to which I shall not now call the attention of the House.

Taking the whole situation altogether, I think we may fairly say that the expenditure has at last been brought within bounds, and that after allowing for the increased population and the increased progress of the country, there is reason to think that the *per capita* expenditure need not be much increased; still it is equally clear that our task at this moment is one of a thankless character. Our position presents certain

very peculiar features, and although our absolute taxation *per capita* is probably less than it was a few years ago; although the incidence of that taxation is much the same—or at any rate, has not appreciably increased,—and although the general mass of our liabilities is vastly less than a few years ago, I must frankly admit that a very excellent financial position has been flung away; that the margin in which to exercise economy is exceedingly narrow; that the power of imposing fresh taxation is limited within comparatively narrow bounds; that economy has been pushed to the very verge, unless, as I said, we agree to some considerable alteration of our system. And I must also admit that the danger to our future position from any considerable imprudence would be very grave indeed. (Hear, hear.)

Now, Sir, as to the question of largely increased taxation, it ought not to be forgotten by the House, that in our position there are considerable dangers incident to any largely increased measure of taxation. In the first place, I think it will be found that unless taxation is imposed for strictly revenue purposes there will be considerable danger of quarrelling among ourselves. There is no doubt that in this Confederation the interests of some portions of the people might appear to diverge, and if it were seen that the Parliament of Canada was wantonly sacrificing the interests of any portion of the population, I need scarcely point out that it would give rise to serious dissatisfaction. (Hear, hear.) I may also add that I do not think it wise on political grounds to assimilate our system to that of the United States, even if there were no other objection. I believe that any large measure of taxation would grievously impede true industrial progress, and would have a tendency to divert the people from more productive to less productive occupations. Then there is no doubt that the effect of an increased tariff would grievously demoralize the mercantile community, and probably would lead to extensive smuggling among large numbers of our own people. On the whole, I may say that the general results of the last few years have been fairly good. A large mass of Public Works have been prosecuted to completion, or are within a short period of completion; a very considerable portion of our debt has been refunded, and the expenditure hitherto increasing by vast and rapid strides, has at last been brought, let us hope, to a halt. Relatively to the increased population, I may add, our expenditure has been considerably decreased. If the House were to deduct from the expenditure of last year the sum accrued on interest-bearing permanent investments

and also receipts from railways not formerly in operation, it would appear that whereas in 1873-4, with a population of 3,750,000 we were obliged to expend $23,316,000, our present expenditure cannot be considered as much over $22,500,000; in other words, if measured *per capita*, our present expenditure is only $5:62 as contrasted with $6:22 in 1873-4 and therefore it follows that relatively to our population, and making those deductions which I think it would be only reasonable to make, the affairs of Government are now being conducted something like $2,000,000 per annum cheaper than they were in the year last named. I repeat, therefore, that in such case it appears to me to be our wisest policy to adhere strictly to a revenue tariff, and to advance steadily, but cautiously, with those important Public Works which cannot be delayed without serious public injury; also, to fulfil so far as we can the engagements we have entered into—on this proviso, however, that those engagements must not be allowed to imperil our general position, or to endanger the future of the whole population of this country. I do not pretend to say, that all risks are past; but I think that I am justified in saying that the amount of those risks, at any rate, has been very considerably lessened. I do not look for any sudden expansion; I can hardly say that I desire any very sudden expansion; but I do believe that we may fairly count on a steady and gradual progress, such as we know by past experience has rarely failed to exist in Canada, even under circumstances quite as disadvantageous as those with which we are now confronted. Such, Mr. Speaker, are, as far as I understand, the questions now before the country. It will be for the country to decide what particular fiscal policy it may please to adopt, and it will be for this House, or for their successors,

Several hon. members: (Hear, hear.)

Mr. CARTWRIGHT—Or for their successors to decide how that particular policy shall be enforced. I would, however, remind the House, and remind the country too, that a very great deal will depend, undoubtedly, on their action now. Our power of refunding our debt on reasonable terms, and our power of thereby diminishing our annual expenditure, will be largely governed by the opinion that foreign capitalists may entertain as to the prudence and economy with which the affairs of this country are being managed. There appear to me to be two courses open, one, the course which I have indicated above, and which the Government intends to pursue; and there is the other course which I would fain hope we shall not see adopted,—the course of in-

dulging again in foolish enterprises, the course of again indulging in engagements of which we have not counted the cost, and of imposing an undue amount of taxation, in the vain hope that we shall thereby be able to give a false stimulus to the present depressed condition of the country.

Now, I think that no hon. gentleman who has either attended to my remarks, or who has been at the pains to make himself fairly well acquainted with the general position of this country during the past few years, will be disposed to dispute my statement when I say that our position in 1874 was, as we can now see, of a very perilous character, and that, whatever dangers may await us, they are, at any rate, very greatly less than those which we had to encounter then. Sir, at that time, it was well known that the inflation had been considerable; it was well known that a re-action was inevitable; we could not measure its extent—we could not tell how far it would go—but I do not believe that there was one merchant, one manufacturer, or one individual of any ordinary prudence engaged in ordinary commercial transactions in Canada, who did not feel that the expansion had been beyond all reasonable limits, and that there was very considerable danger of a re-action; and I venture to say that if there had been any delay on the part of the Government in imposing the requisite amount of taxation, or if there had been any failure in floating the successive loans which we were obliged to place on the English market, our position would have been very dangerous indeed. I may invite the attention of the House to the fact that it is rarely that any Government has been called upon to deal with such a convergence of risks, occurring simultaneously, as we had. We had at one and the same moment to face the injury to our credit, necessarily arising from considerable deficits; we had to provide large sums for carrying on important Public Works in many quarters of this Dominion; and we had to provide for large amounts of debt maturing, which it was absolutely necessary for us to pay. We had to do all that at a time when, in addition to the special depression which existed in Canada, a great and universal commercial depression had overspread almost the whole world; at a time of grave political disturbances, a time when, for certain reasons, there was a great and unusual distrnst of foreign loans, and I may say an aversion to deal with any form of security not previously introduced. Now, Sir, although it is true that we have escaped—although we did succeed in maintaining our credit—although we did succeed in negotiating our loans—still, I am bound to tell the House that our escape was a narrow one; and the

House will understand that I have good reason when I say that I dread rashly entering into any new engagements.

Sir, we have had two warnings, which ought to suffice, I think, for any people. How it may have been with my friends in the Maritime Provinces I do not know; but I do know that the people of Ontario and Quebec, at any rate, ought to have remembered better than they appear to have done, the very grave warning which they should have received from the events of 1854 to 1857, and the subsequent depression which ensued. Every one who had studied the commercial history of this country, knew that the period of extreme expansion which occurred then was followed by a corresponding period of very prolonged depression, as, indeed, might naturally have been looked for. Almost identically the same results, arising from causes of a very similar character, prevailed between 1870 and 1873; and although I think we shall on the whole escape better than we did at that time, I should not be doing my duty here if I did not call attention to the fact that we entirely neglected our former warning, and endeavour, as far as in my power lies, to impress on the House and on the country the necessity of being more cautious in the future. I hold that we committed the very common error of grasping at far too much; a pardonable error, perhaps, but none the less a grave error, particularly in a country circumstanced like ours. I would have us recognize and redeem that error, not by idle murmurs at the past, but by submitting as patiently as we may, to the needful and necessary privations which must always follow the re-action from such an extreme expansion. If we are only moderately prudent, I believe that a very short time will see the end of it. I believe that we possess, after all deductions made, in our great western country—a country, which when developed, will certainly add very largely to our national resources. I am willing for one to incur considerable risk; I am willing to submit to considerable privation for the sake of developing that magnificent heritage. At present, as far as I can see,—although the worst of the storm is past—we are still on the ground swell which remains after it. At present so far as I am able to understand the situation—although it is perfectly true a very considerable amount of depression prevails in commercial circles—I do not think the main interests of the country, with the exception of the important interest of lumber, are at all in as depressed a state as it would apparently please some gentlemen in this House to suppose. In all these cases, I think we may lay it down that the effect will almost of necessity outlast

the cause. Just as in former years, the spirit of extravagance which had got possession of our people, and which led them to import vastly more goods than they required, continued to exercise a powerful effect long after the prosperity itself had departed, so I think now the counteracting influence is having its effect, although the cause is beginning to pass away. If, Sir, any excuses were to be made for the increased expenditure to which I have alluded, I think they might be fairly found in this, that the whole community appear to some extent to have gone mad together. Nobody can look at the enormous expansions which took place in the years I refer to ; no one can look at the speculations of every kind and sort that were entered into—without seeing that we had necessarily prepared for ourselves a period of very considerable depression. Unfortunately, that madness had become so universal, that as we know to our cost in many portions of the country, not only have those who deserve to be weeded out, been weeded out, but just at present the loss falls almost more heavily on prudent and cautious men, who had managed their own affairs well, and who are brought into difficulties, not by their own fault, but largely in consequence of the insane competition to which they were exposed on the part of persons who ought never to have been entrusted with credit or with capital at all. I have no doubt that a great many men of substance are paying in purse and person for the undue facilities with which credit and capital have been obtained by men of straw, and that is, in my opinion, one great cause of the commercial difficulties under which we now labour.

In conclusion, I desire to be clearly understood, I do not at all pretend that the present Government have been faultless in their conduct during the last four years. (Hear, hear.) I do not at all pretend to say that they have committed no errors or that their conduct of affairs has been absolutely free from blunders. I do not mean to say that no expenditure has been incurred which could have been avoided. To make such a boast would be to expose myself justly to the jeers of hon. gentlemen opposite. I do not claim that we have been infallible, and far less would I say that they have been infallible. But what I do assert is, that as the Public Accounts show, reasonable diligence, care and prudence have been displayed by this Government. I assert that taking into account the difficulties with which we have had to contend, those difficulties have been on the whole well and fairly met. I say our perseverance in the policy which we chalked out is gradually extricating us from those difficulties—difficulties not of our own making, but difficulties with which we have had to contend. I say, that that has been done with pro-

bably as little hardship to the people of Canada as could possibly be inflicted on them. Their taxes have not been unduly increased, and all reasonable efforts have been made to lighten the burden upon them, so far as it could be done by a redistribution of taxes. I say, that this has been done without having recourse to any hazardous experiments of any kind whatever. I say that our credit has been maintained, and more than maintained. I say that the rate of interest on our debts has been considerably reduced, that the expenditure, which had increased at the rate of ten millions in seven years, has been at last kept stationary, and that relatively to our population, and still more, relatively to the services we have been obliged to discharge, that it has been very considerably reduced. I say that under all these circumstances, great works have been carried on, and that those works have been carried on, for the first time, I believe, in the history of our country, in such a way that they have not exceeded the estimates originally prepared. Sir, in moving that you do now leave the chair, and that the House resolve itself into a Committee of Supply, I venture to say that the record submitted in the Public Accounts, is not a record of which this Government or of which their supporters in this House, or in the country need be ashamed. (Applause.)

APPENDIX.

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Extract from the Message delivered by the Governor of the State of New York, to the Legislature of that State.—*Albany, January, 1878.*

"The depression in all branches of trade, business and manufac- "ture, and the wreck of our too numerous railroad, mining, iron and "milling ventures, *have thrown out of employ a vast number of labouring "men, who, without fault of their own, are now suffering extreme want.* "While, it is true, that legislation can do little for their relief, it is well "to understand clearly the causes which have led to their distress."

After noting, as one of the causes of this state of things, the currency inflation in the States, the Governor went on to say :—

"At the same time another great evil was strongly developed. "Individuals and corporations engaged in the various branches of "manufacture, taking advantage of the necessities of the Government, "rushed to Congress and, by every means in their power, procured, each "for its own benefit, the levy of what were called protective duties, "under the false pretence of raising revenue for the Government, but "really *to compel consumers to pay exorbitant prices for the favored articles "thus protected.* Under the wing and stimulus of this so-called protection, "new enterprises were undertaken; new and extensive factories built; "new and needless railways projected and undertaken; new mines "and foundries opened, and armies of laborers allured by high wages to "these enterprises from fields of agriculture and other sober and rational "employments of life. The few notes of warning raised against the "certain consequences of this wild overaction were unheeded. Extra- "vagance of expenditure, the absence of everything like frugality and "economy obtained in all directions. The empty and delusive bubble "thus raised could not endure, and although kept afloat by the whole "power of the Government so long as it was possible, it met at last the "inevitable day of doom. Imaginary fortunes vanished in a moment, "ill-advised railway schemes, mines, mills and factories were suspended, "and *tens of thousands of innocent and unfortunate laborers were left without "employment or the means of subsistence. Instead of the high wages by "which they had been enticed from other occupations to these enterprises, "they received no wages at all.*

" It is easier to discover the cause of this distress than to point out " the manner of its relief. There can be but one permanent and effectual " remedy. That is to return as speedily as possible to the condition of " things that existed before the road to ruin was entered upon ; by " means of a return to specie payments, a sound and stable currency and " the reduction of the tariff to a strictly revenue standard.

" Under the influence of these measures all branches of industry " will assume their old and accustomed regularity and success. All " departments of labor will call for employés, to whom such wages will " be paid as the business will warrant and the parties can agree upon. " If a surplus of unemployed laborers still remains there are open to all " in this great country countless millions of fertile acres of land upon " which every industrious man can be sure of securing, for himself and " family, at least a comfortable subsistence. One of the greatest evils " resulting to the laboring man, from the false and delusive appearances " which have been displayed before them, is that they have been in- " duced to leave the safe, peaceful and independent walks of agriculture " to congregate in the large cities, and there to watch and wait for " something that they fancy might yield them larger returns than they " could hope for from the cultivation of the soil. But, by following " faithfully and earnestly the road here indicated, it will not be very long " before business and trade will be restored to their natural channels, " and laborers receive full employment with fair wages."